

**NOTE MEETING
LOCATION CHANGE!**

**WSF TARIFF REVIEW 2006-2007
POLICY COMMITTEE MEETING
SOUND TRANSIT BOARD ROOM
UNION STATION (401 S. JACKSON)
JANUARY 9, 2007
11:00 AM-2:00 PM**

A G E N D A

- | | | |
|--------------|---|-------------------------------|
| 11:00 | Welcome and Meeting Overview | Alice Tawresey |
| | ➤ Review agenda | |
| 11:10 | General Fare Increase | Michael Hodgins |
| | ➤ Discussion of possible May 1 fare increase proposal | |
| 12:00 | In-Need Organizations | Ray Deardorf/Sam Kuntz |
| | ➤ Currently a Pilot Program through April 2007 | |
| | ➤ Options for extending and/or modifying the program | |
| 12:30 | Anacortes-Sidney RV Promotional Fare | Michael Hodgins |
| | ➤ Review of ridership and revenue | |
| 12:45 | Peak-Season Oversize Vehicle Fares | Ray Deardorf |
| | ➤ Matching up WAC language with policy intent; or | |
| | ➤ Adding another fare table to the WAC | |
| 1:00 | New Executive Director Discretion Section | Ray Deardorf |
| | ➤ Consideration of a new WAC section for public transit agency coordination | |
| 1:15 | Discussion, Summary, & Adoption of Rec. to WSTC | Alice Tawresey, All |
| 1:40 | JTC Ferry Finance Study – Implications for Tariff Policy | WSF Staff |
| 1:55 | FAC/Tariff Outreach Meetings | Susan Harris-Huether |
| 2:00 | Adjourn | Alice Tawresey |

Fare Revenue Target

Fare Revenue History and Target

The Legislature's long-term funding assumptions for WSF's operating program assumes annual general fare increases of 2.5%. The following presents the revenue targets through FY2009 along with the actual fare collections since the JTFF farebox recovery target was established.

FARE HISTORY AND TARIFF REVENUE PROJECTIONS

Fiscal Year	Fare Revenue	Percent Change
FY 2001 (actual)	\$96,206,000	
FY 2002 (actual)	\$110,497,000	14.9%
FY 2003 (actual)	\$119,825,000	8.4%
FY 2004 (actual)	\$126,920,000	5.9%
FY 2005 (actual)	\$132,030,000	4.0%
FY 2006 (actual)	\$139,900,000	6.0%
FY 2007 (proj.)	\$151,374,000	8.4%
FY 2008 (proj.)	\$159,091,000	5.1%
FY 2009 (proj.)	\$165,345,000	3.9%

Projections from the November 2006 Forecast assume annual 2.5% fare increases

A 2.5% increase to fares across-the-board (plus Tariff Route Equity phasing in the San Juan Islands) is estimated to result in approximately \$3.4 million in FY2008 plus approximately \$600,000 in the last two months of FY2007.

Revenue Need Scenarios

The Governor's recently-released budget contains an assumption of a 2.5% general fare increase. General fare increase options requested for evaluation during the previous Tariff Policy Committee and included in further detail in the attached pages are:

- 2.5% (Governor's budget proposal/Legislature's long-term funding assumptions)
- 6% (would effectively be the 5th year in a row with an increase of this magnitude)
- 5% (return to the original intent of a 5% increase)
- A large enough increase to reach 80% farebox recovery in three years
- A large enough increase to reach 80% farebox recovery in one year

Another attached page contains sources and uses of funds through the 2021-23 biennium. This outlook contains the revisions discussed at the first TPC meeting, including updated fuel and labor figures, and it reflects the governor's and legislature's assumptions of 2.5% future fare increases each year through the end of the fiscal outlook.

Tariff Policy Analysis -- Tariff 2006-07

	Leg. & Gov. Budget	Additional TPC Scenarios		80% Target Scenarios	
General Fare Increase (Nickel Rounding)	2.5%	5.0%	6.0%	7.5%	10.0%
FY 2008 Farebox Revenue	\$159.1	\$162.0	\$163.6	\$165.6	\$168.9
Incremental Revenue Increase (FY08)	\$3.4	\$2.9	\$1.6	\$2.0	\$3.3
Cumulative Revenue Increase (FY08)	\$3.4	\$6.3	\$7.9	\$9.9	\$13.2
Farebox Recovery (FY08) (Includes Miscellaneous Revenue)	76.1%	77.5%	78.2%	79.1%	80.7%
Farebox Recovery (FY08) (Excludes Miscellaneous Revenue)	73.6%	74.9%	75.7%	76.6%	78.1%

BASE SEASON FARE IMPACTS			Leg. & Gov. Budget	Additional TPC Scenarios		80% Target Scenarios	
		Current					
Seattle-Bainbridge Car and Driver Fare (One Way)	Full	\$11.25	\$11.55	\$11.85	\$11.95	\$12.10	\$12.40
	Frequent User	\$9.00	\$9.24	\$9.48	\$9.56	\$9.68	\$9.92
Seattle-Bainbridge Passenger Fare (Round Trip)	Full	\$6.50	\$6.70	\$6.85	\$6.90	\$7.00	\$7.15
	Frequent User	\$5.20	\$5.36	\$5.48	\$5.52	\$5.60	\$5.72
Anacortes-Friday Harbor Car and Driver Fare End-of-Wk (Round Trip)	Full	\$36.90	\$37.85	\$38.75	\$39.15	\$39.70	\$40.60
	Frequent User	\$27.68	\$28.39	\$29.06	\$29.36	\$29.78	\$30.45
Anacortes-Friday Harbor Passenger Fare End-of-Wk (Round Trip)	Full	\$10.65	\$10.95	\$11.20	\$11.30	\$11.45	\$11.75
	Frequent User	\$6.92	\$7.12	\$7.28	\$7.35	\$7.44	\$7.64
Mukilteo-Clinton Car and Driver Fare (One Way)	Full	\$6.65	\$6.85	\$7.00	\$7.05	\$7.15	\$7.35
	Frequent User	\$5.32	\$5.48	\$5.60	\$5.64	\$5.72	\$5.88
Mukilteo-Clinton Passenger Fare (Round Trip)	Full	\$3.85	\$3.95	\$4.05	\$4.10	\$4.15	\$4.25
	Frequent User	\$3.08	\$3.16	\$3.24	\$3.28	\$3.32	\$3.40

Tariff Policy Analysis -- Tariff 2006-07

PEAK SEASON FARE IMPACTS			Leg. & Gov. Budget	Additional TPC Scenarios		80% Target Scenarios	
		Current					
Seattle-Bainbridge Car and Driver Fare (One Way)	Full	\$14.10	\$14.45	\$14.85	\$14.95	\$15.15	\$15.50
	Frequent User	\$9.00	\$9.24	\$9.48	\$9.56	\$9.68	\$9.92
Seattle-Bainbridge Passenger Fare (Round Trip)	Full	\$6.50	\$6.70	\$6.85	\$6.90	\$7.00	\$7.15
	Frequent User	\$5.20	\$5.36	\$5.48	\$5.52	\$5.60	\$5.72
Anacortes-Friday Harbor Car and Driver Fare End-of-Wk (Round Trip)	Full	\$49.85	\$51.20	\$52.55	\$52.95	\$53.60	\$54.95
	Frequent User	\$27.68	\$28.39	\$29.06	\$29.36	\$29.78	\$30.45
Anacortes-Friday Harbor Passenger Fare End-of-Wk (Round Trip)	Full	\$12.80	\$13.15	\$13.45	\$13.60	\$13.75	\$14.10
	Frequent User	\$6.92	\$7.12	\$7.28	\$7.35	\$7.44	\$7.64
Mukilteo-Clinton Car and Driver Fare (One Way)	Full	\$8.35	\$8.60	\$8.75	\$8.85	\$8.95	\$9.20
	Frequent User	\$5.32	\$5.48	\$5.60	\$5.64	\$5.72	\$5.88
Mukilteo-Clinton Passenger Fare (Round Trip)	Full	\$3.85	\$3.95	\$4.05	\$4.10	\$4.15	\$4.25
	Frequent User	\$3.08	\$3.16	\$3.24	\$3.28	\$3.32	\$3.40

WSDOT 2007 BUDGET REQUEST

**Washington State Department of Transportation
Washington State Ferries Sources and Uses of Funds
2007 Supplemental Budget Request and 2007-09 Request and 16 year plan
(Assumes 2007 Supplemental, 2007-09 CFWD Level + WSDOT Decision Packages
millions of dollars)**

Operating Program	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21	2021-23	Sixteen-Year Total
Sources of Funds										
Farebox Revenue - November Forecast	290.5	314.5	334.6	348.5	358.7	366.6	373.9	380.9	387.2	2,864.8
Potential From Future Fare Increases if Permitted*	0.6	10.0	24.0	42.2	62.5	85.8	109.5	133.7	160.8	628.5
Multi-modal Account Support for Passenger Only	3.7	1.8								1.8
Miscellaneous Revenue (Concessions, etc)	6.2	11.1	12.4	12.5	13.2	13.8	14.4	15.0	15.7	108.0
Total Operating Revenues Generated	300.9	337.3	371.0	403.2	434.4	466.2	497.8	529.6	563.7	3,603.2
Uses of Funds**										
Operations										
Vessel	157.8	155.6	158.5	161.7	164.9	168.1	171.4	174.8	178.3	1,333.3
Fuel	75.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	57.3	458.1
Terminal	46.3	46.9	47.8	48.7	49.6	50.5	51.4	52.4	53.4	400.7
Operations Management and Support	20.0	20.0	20.4	20.7	21.1	21.5	21.9	22.3	22.7	170.7
Total Operations	299.4	279.8	283.9	288.4	292.9	297.4	302.0	306.8	311.7	2,362.9
Maintenance										
Vessel	31.3	30.9	31.5	32.1	32.7	33.3	33.9	34.5	35.2	264.1
Terminal	14.5	14.7	14.9	15.2	15.5	15.8	16.1	16.4	16.7	125.1
Maintenance Management and Support	8.7	8.8	8.9	9.1	9.2	9.4	9.6	9.8	10.0	74.7
Total Maintenance	54.5	54.3	55.3	56.4	57.4	58.5	59.6	60.7	61.8	464.0
Management and Support	22.0	22.2	22.6	23.0	23.5	23.9	24.4	24.8	25.3	189.7
Other Charges	10.3	10.1	10.3	10.4	10.6	10.8	11.0	11.2	11.5	86.0
Total Management and Support & Other	32.3	32.3	32.9	33.5	34.1	34.7	35.4	36.1	36.7	275.7
Operating Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007 Supplemental for Fuel	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007 Supplemental for Other ***	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003-05 and 05-07 Labor Agreements ****	8.9	8.6	8.8	8.9	9.1	9.3	9.5	9.6	9.8	73.6
Vashon Passenger Only	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8
2007-09 Fuel	0.0	28.8	26.1	23.5	20.6	19.7	20.8	22.5	23.5	185.5
2007-09 Labor Agreements	0.0	17.0	19.2	19.6	19.9	20.3	20.7	21.1	21.4	159.2
2007-09 Compensation Adjust (other programs)	0.0	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	5.8
2007-09 Other Decision Packages	0.0	7.3	8.0	8.2	8.3	8.5	8.6	8.8	9.0	66.7
Total Budget Request 2007 Session	16.3	64.3	62.8	60.8	58.7	58.5	60.3	62.8	64.5	492.7
Total Uses of Funds	402.5	430.6	434.9	439.0	443.1	449.1	457.3	466.3	474.7	3,595.2
Subsidy Required	(101.6)	(93.3)	(63.9)	(35.9)	(8.7)	17.1	40.4	63.3	88.9	
<i>Fund Balance</i>	3.8	5.9								5.9
<i>State Taxes, Fees and Other Revenue</i>	53.1	61.1	65.2	68.2	70.8	73.1	75.4	77.9	80.5	572.1
<i>Taxes and Fees Transferred from Motor Vehicle Account</i>	50.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Multimodal Taxes and Fees</i>	0.0	12.7	30.0	2.5	2.5	2.5	0.0	0.0	0.0	50.2
Presumed Level of Subsidy Under Current Legal Arrangements for Ferry Operations	107.5	79.7	95.2	70.7	73.3	75.6	75.4	77.9	80.5	628.2
Presumed Net Subsidy Available (Additional Subsidy Needed)	5.9	(13.7)	31.3	34.8	64.6	92.7	115.9	141.2	169.4	
<i>Farebox Recovery</i>	72.3%	75.3%	82.4%	89.0%	95.1%	100.7%	105.7%	110.4%	115.4%	
<i>Total Estimated Fuel Costs</i>	81.1	86.1	83.4	80.7	77.9	76.9	78.1	79.8	80.7	643.6
Capital Program										
Sources of Funds										
State Distribution of Gas Tax	36.4	38.5	40.6	42.4	44.0	45.4	46.8	48.2	49.8	355.8
Fund Balance	14.6	23.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.6
Taxes and Fees Transferred from the Motor Vehicle Account	70.2	34.9	103.5	97.0	118.0	70.2	61.7	(18.5)	(43.3)	423.7
Multimodal Taxes and Fees	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Revenue from 2003 Transportation Account	20.4	122.9	27.4	3.9	0.0	0.0	0.0	0.0	0.0	154.2
State Revenue from 2005 Transportation Partnership Account	0.0	1.9	79.8	6.0	22.8	14.1	13.2	33.3	14.3	185.4
State Revenues for COM Salary Placeholder	0.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	8.5
State Taxes and Fees for Ferry Capital	146.6	222.8	252.3	150.4	185.9	130.8	122.8	64.2	22.1	1,151.1
Presumed Net Subsidy Available	0.0	3.8	31.3	34.8	64.6	92.7	115.9	141.2	169.4	653.6
Bond Proceeds (R-49 & Multimodal GO)	49.2	177.0	126.1	0.9	0.0	0.0	0.0	0.0	0.0	304.0
Local Funds	0.0									0.0
Federal Funds	71.6	58.5	45.7	35.6	35.6	35.6	35.6	35.6	35.6	317.8
Total Sources of Funds	267.5	462.1	455.3	221.7	286.1	259.1	274.2	240.9	227.1	2,426.6
Uses of Funds										
Debt Service	37.0	39.9	33.1	32.6	33.0	31.7	31.5	27.2	11.7	240.5
Multimodal Passenger Only	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Terminal Investments	113.3	218.2	207.1	135.1	185.4	162.5	120.2	98.8	86.0	1213.3
Vessel Investments	54.9	54.9	58.4	64.1	77.7	74.4	132.0	124.0	138.0	723.5
Emergency Repairs	4.0	6.4	6.8	7.2	7.6	8.1	8.5	9.0	9.4	63.0
New Vessel Construction	31.8	142.8	167.1							309.9
Total Capital Projects	207.0	422.3	439.5	206.4	270.7	245.0	260.7	231.7	233.4	2,309.6
Total Uses of Funds	243.9	462.2	472.6	238.9	303.7	276.7	292.2	258.8	245.1	2,550.1
Capital Fund Balance (Capital Sources Minus Uses)	23.6	(0.1)	(17.2)	(17.3)	(17.5)	(17.6)	(17.9)	(17.9)	(18.0)	(123.5)

In-Need Organizations: Sunset Clause and Review of Program

Background

Recently, WSF made the decision to move from coupon books to multi-ride cards, effectively eliminating the severability of individual tickets within a coupon book. Recognizing that a number of “in-need” groups and organizations serving “in-need” clients had utilized the former severability of coupon books to effectively provide single trip discounts, the TPC sought to develop a discount program specifically catered to in-need organizations.

The discount program (described below) was set up as a Pilot Program from May 1, 2006 to April 30, 2007, with continuation of the program beyond May 1, 2007 subject to Washington State Transportation Commission review and possible modification. Because EFS implementation has been delayed, the discount program for in-need organizations has not yet been implemented, but it is set to expire on April 30, 2007.

Furthermore, in implementing of this program as part of its EFS rollout, some administrative challenges have emerged. As the TPC considers modifying the WAC, there is an opportunity to make the in-need discount program somewhat easier to administer upon its implementation.

TPC Options

Extend the Pilot Program as it currently exists. Adjust the sunset date to May 1, 2008, or some later date.

Extend the Pilot Program with modifications. Adjust the sunset date to May 1, 2008, or some later date and adjust WAC language to reflect operational issues that have emerged in the implementation of the program during the past year.

Potential modification to discount calculations. Currently, the discount program is set up to bill monthly, but the discounts themselves are based on 90-day periods to match the frequent user policies. This has created an administrative challenge related to calculating appropriate discounts within the structure of the commercial account system in which the in-need program will be managed. Given that the number of qualified transactions is expected to be relatively small, WSF management has an interest in making the administration of this program as simple as possible.

The simplest way to implement the general intent of the in-need program within the commercial billing system would be to eliminate the volume/frequency requirement altogether and simply apply the appropriate discount to every purchase made by qualified in-need organizations. These organizations would be required pay full fare up front and make all purchases using their account. At the end of each month, that account would be rebated the appropriate discount amount.

Staff Recommendation

WSF management recommends extending the sunset date of the Pilot Program to May 1, 2008, and changing the WAC language as follows:

"For qualified organizations serving in-need clients by providing tickets for transportation on WSF at no cost to clients, program would offer a ~~volume-based back-end~~ monthly discount to ~~match approximate appropriate~~ frequent user ~~policies and~~ discount rates. Appointing bodies (those that appoint Ferry Advisory Committees) will nominate to the Washington State Transportation Commission those organizations that meet the criteria of the program. The Commission will review such nominations and certify those organizations that qualify. The following criteria will be used for nominating and certifying in-need organizations: Nongovernmental and not-for-profit organizations whose primary purpose is one or more of the following: Help clients with medical issues; provide clients with low-income social services; help clients suffering from domestic violence; provide clients with employment-seeking services; and/or help clients with Social Security. Travel will be initially charged based on full fare and billed monthly. ~~On a monthly basis, discount credits for each account will be calculated based on equivalent multi-ride media level of usage.~~ The credits will be approximately based on the discount ~~policies and~~ rates offered to frequent users applicable on the date of travel. This program will expire after April 30, 2008 ~~2007~~."

Current Program Definition

Qualifying criteria. The jurisdictions that currently nominate and approve Ferry Advisory Committee (FAC) members will nominate in-need organizations in their areas to the Washington State Transportation Commission (WSTC). These nominating jurisdictions will typically be county councils and county commissions. In the case of Vashon Island, the nominating body will be the Vashon-Maury Island Community Council. The WSTC will then review nominations to determine if the organizations meet the program criteria. Organizations that meet these criteria will then be certified and will become eligible for membership in the discount program.

The criteria that will be used for nominating and certifying in-need organizations will be as follows:

- Non-governmental organization; and
- Not-for-profit organization; and
- Primary purpose of organization is to:
 - Help clients with medical issues; and/or
 - Provide clients with low-income social services; and/or
 - Help clients suffering from domestic violence; and/or
 - Provide clients with employment-seeking services; and/or
 - Help clients with social security.

Discount program guidelines. The following guidelines shall apply to organizations participating in the discount program:

- Certified in-need organizations may not re-sell discounted single ride tickets;
- Tickets must be given to organization's clients free of charge; and
- Tickets are intended for the in-need clients and as such may not be distributed to employees of a certified organization.

Discount logistics. The discounts will seek to parallel the current frequent user discount policies. Organizations will earn discounts based on the level of system utilization. The process for paying ferry fares and earning discounts will be as follows:

- Once in the program, the organization would purchase single ride tickets using the internet, print the tickets locally and distribute them to clients. In-need program tickets will **not** be available at a toll booth or at a kiosk. Once purchased tickets will need to be used within the normal 7 day expiration period for single-ride tickets.
- The organization's account will be initially charged the full fare single-ride price at the time of the transaction.
- Trips will be charged to an account at full fare and billed to customers on a monthly basis. At the end of each calendar quarter, the trips will be reviewed to determine if the frequency was adequate to earn discount credits. The credits will be calculated as follows:
 - Discount credits will be calculated as the difference between the per-trip frequent user price and the full fare price. Credits will be awarded once total charges for a particular frequent user category (route-group and passenger or vehicle & driver) are equal to the cost of the frequent user product.
- This method of estimating discount credits will reimburse for the summer surcharge portion of the full fare where this is applicable.
- There would be separate trip counters for both passenger tickets and vehicle tickets as well as for each route group (i.e. trips on a Vashon route and on a Central Sound route are tracked separately).
- If there is insufficient travel within the discount cycle then the account would not receive discount credits.
- The discounts will be based on the frequent user discount policies. The credits earned will be based on the route, mode and time-of-year of travel with the following discount policies applied:
 - For all routes except the San Juan Islands:
 - Car & Driver: 20% discount for 10 round-trips in 90 days
 - Motorcycles: 20% discount for 10 round-trips in 90 days
 - Passenger: 20% discount for 10 round-trips in 90 days
 - For routes serving the San Juan Islands:
 - Car & Driver: 25% discount for 5 round-trips in 90 days
 - Motorcycles: 25% discount for 10 round-trips in 90 days
 - Passenger: 35% discount for 10 round-trips in 90 days

Sidney Market Screen

Background

When Tariff Route Equity was adopted, the Anacortes to Sidney and Islands to Sidney fares were excluded from the route equity pricing logic. The reasoning for this was based on the fact that these routes serve a fundamentally different role – exclusively for tourism – than other WSF routes.

International routes were removed from the route equity logic, with fare changes to be made based on market conditions. The key pricing factors for these routes is the availability of alternatives, namely the fares on BC Ferries' Vancouver Island service, the M.V. Coho (connecting Port Angeles and Victoria), and to some extent, the high-speed passenger-only Clipper service.

During the review of market factors two years ago it was determined that oversize vehicle fares were significantly higher on WSF as compared with competing services. As a result of this finding, the Tariff Policy Committee recommended and the Transportation Commission adopted a new promotional fare targeting oversize recreational vehicles and busses on the International Routes. The fares were modified as follows:

- Raised International fares by the amount of the general fare increase for WAC purposes.
- Established a tourism-oriented discount where motor-homes and buses would get a 50% discount for travel on WSF. The fares would be promoted through WSF channels and by working with the City of Anacortes to market the new fares using local tourism promotional opportunities.

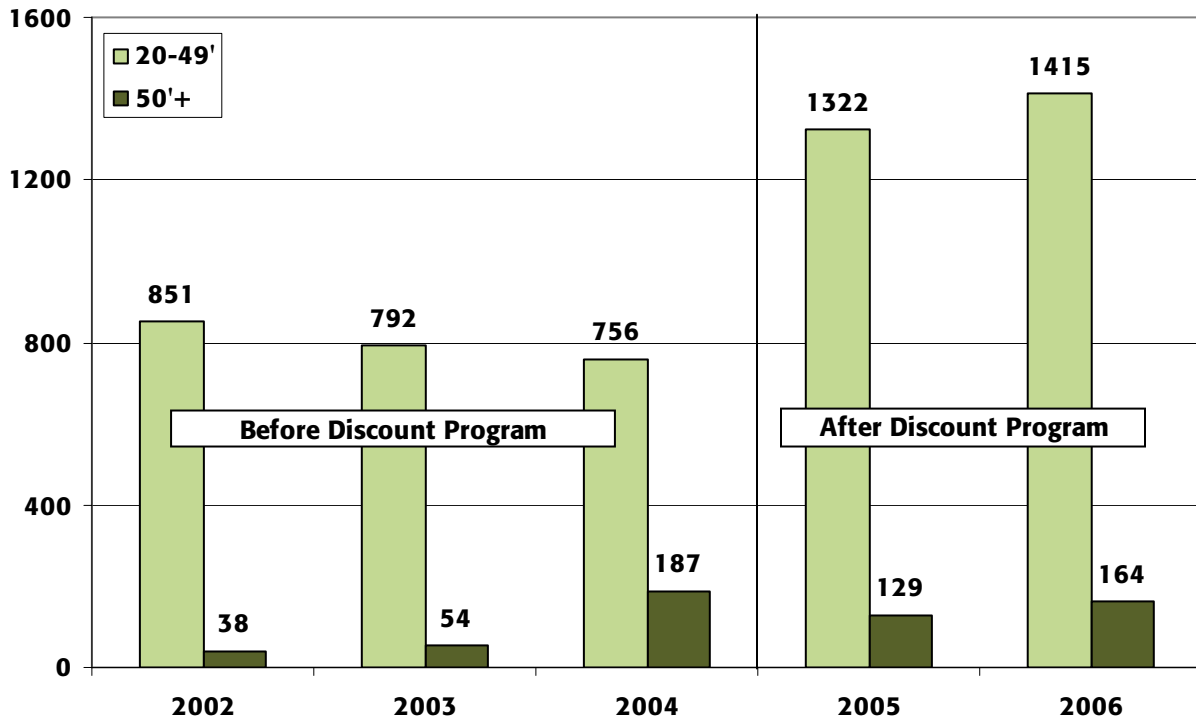
Recognizing the potential for a negative revenue impact from such a significant fare reduction, the Committee agreed to monitor the impacts of this new policy and assess the effectiveness of the pricing in terms of generating additional tourism-related traffic through this corridor.

Impact of Discount

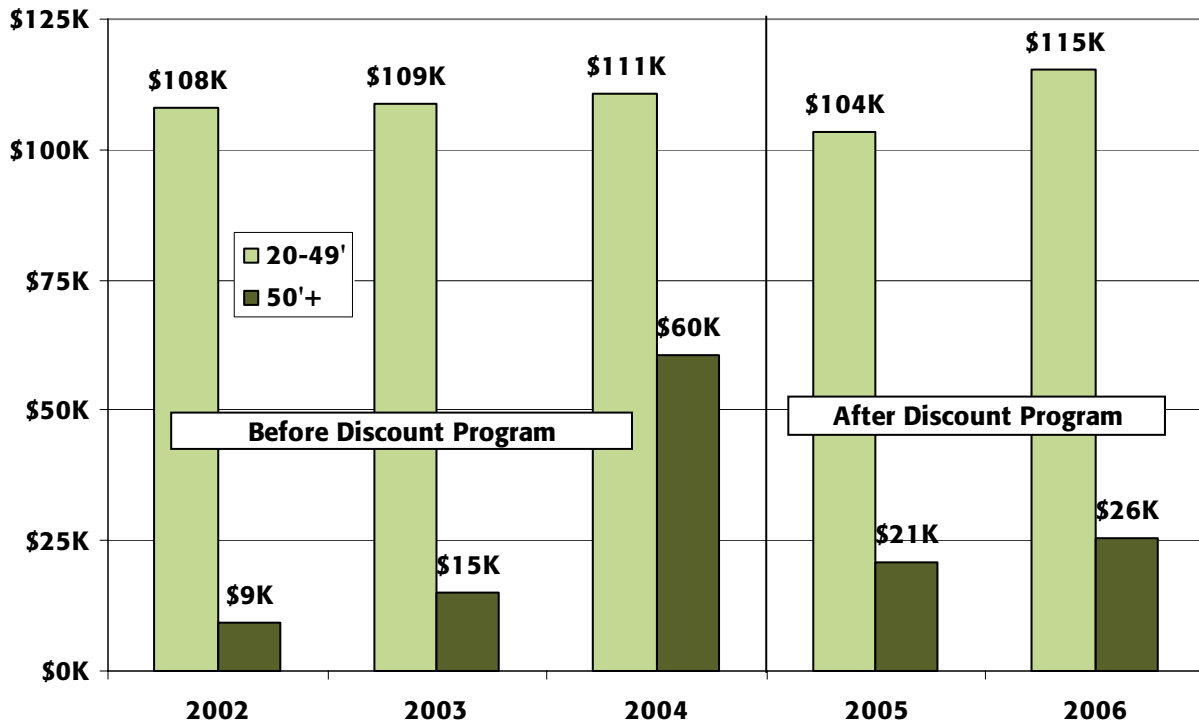
The Exhibits below display oversize ridership and revenue during May through September from 2002 through 2006. The months of May through September match up with the intended target of the discount (the summer tourist season) and account for 81% of oversize vehicle ridership on these routes, and these months. Furthermore, 2006 ridership data is only available through September.

Tariff Policy Analysis – Tariff 2006-07

Oversize Vehicle Ridership on International Routes, May-September, 2002-2006



Estimated Oversize Vehicle Revenue on International Routes, May-September, 2002-2006



Tariff Policy Analysis – Tariff 2006-07

It is also worth examining oversize ridership changes on this route compared to overall ridership changes on this route:

% Change in Ridership, May-September, International Routes

	20-49'	50'+	Other Vehicles
2003	-7%	42%	-7%
2004	-5%	246%	-1%
2005	75%	-31%	-8%
2006	7%	27%	-1%

A review of the exhibits above suggests the following impacts of the policy change to date:

- **Overall ridership vs. oversize ridership** – Ridership has clearly increased in the 20'-49' range since implementation of the discount. While it seems that 50'+ ridership has decreased, that is more a reflection of a 2004 ridership figure for 50'+ vehicles well above historical norms.
- **Financial implications** – The large increases in 20'-49' ridership have offset the deep discount offered, such that revenue in this category is essentially flat. Revenue in the 50'+ category has not approached 2004 figures, but as noted above, 2004 seems to be an unusual year for this vehicle category. Compared to 2002 and 2003, 50'+ revenue actually looks quite strong.
- **Overall** – All told, the discount program has been successful at increasing oversize ridership without compromising revenue from this ridership category. It is important to note that the discount program includes not only the fare discount itself, but also the marketing done by both WSF and the City of Anacortes. This joint effort has been a successful example of local-state cooperation.

TPC Discussion

- **Financial implications** – Given the success of the new fares in generating a significant boost in 20'-49' traffic and a corresponding boost to revenues in this category, how frequently should the TPC review this promotion?

Peak Season Fare Calculations for Oversize Vehicles

Policy Issue

At the March 23, 2006 Washington State Transportation Commission hearing, there was testimony suggesting that the oversize fares in the peak season were being calculated in a manner not consistent with language in the Washington Administrative Code (WAC). According to the testimony the language in the WAC suggested that peak season fares should be 25% higher (35% in the San Juans) than their corresponding base season fares.

The testimony pointed out that the proposed fares for oversize vehicles in the peak season fare are slightly greater than 25% higher than the base season fare and asked for clarification on why this is the case. The response from staff was that the oversize peak season fares are currently calculated as a multiple of the car & driver peak season fare (which is 25% higher than base season) and not based on applying a 25% surcharge over the base season fare. The multiples are determined on the basis of the CUBE policy, which states that vehicles pay in proportion to the space they use on the ferry.

The Transportation Commission requested a written memorandum clarifying this issue and WSF's planned course of action. The key policy raised is the issue is whether the method currently used by WSF to calculate oversize peak season fares is consistent with the authorizing language in the WAC.

Unlike all other fares, the peak season fares are not individually listed in the WAC. Rather the WAC authority for the peak season fares is contained in several footnotes. The relevant footnote for oversize vehicles is contained in **WAC 468-300-040: Oversize vehicle ferry tolls:**

"PEAK SEASON SURCHARGE - A peak season surcharge of 25% shall apply to all oversize vehicles, except for Anacortes to Lopez, Shaw, Orcas, and Friday Harbor. The senior citizen discount shall apply to the driver of an oversize vehicle. A 35% surcharge will apply to oversized vehicles traveling from Anacortes to Lopez, Shaw, Orcas and Friday Harbor."

After reviewing the analysis of this issue and internal discussions, WSF management recommended, and the WSTC approved, that for the 2006 tariff the more stringent interpretation of the WAC language be applied. This resulted in a marginal lowering of most oversize fares relative to the fares that were the subject of public review and comment. The lower fares were thought to have a minimal impact on overall fare revenue, with expected revenues in FY2007 reduced by approximately \$24,000.

WSF staff and the WSTC concluded that this issue should be revisited in the next tariff cycle and the WAC language changed to match the original policy intent that the oversize fares always be set using the CUBE logic multiple of the car & driver fare. In this way, full fare vehicle customers will always pay in proportion to the space used on the car deck.

Tariff Policy Analysis – Tariff 2006-07

Options

Change the WAC footnote. Adjust the WAC footnote to reflect the original policy intent:

"PEAK SEASON SURCHARGE - A peak season surcharge ~~of 25%~~ shall apply to all oversize vehicles, ~~except for Anacortes to Lopez, Shaw, Orcas, and Friday Harbor.~~ The oversize fare shall be determined based on the peak-season car-and-driver fare, adjusted by the relationship between the base season car-and-driver fare and the appropriate oversize vehicle fare. The senior citizen discount shall apply to the driver of an oversize vehicle. ~~A 35% surcharge will apply to oversized vehicles traveling from Anacortes to Lopez, Shaw, Orcas and Friday Harbor.~~"

Add a peak season fare table to the WAC. This would eliminate the need for peak-season footnotes.

Do nothing. Continue calculating these fares in the same way they were calculated for the 2006 Tariff.

Staff Recommendation

WSF staff recommend changing the WAC footnote to reflect the original fare policy intent, as described in the Options section above.

Background: Methods for Calculating Peak Season Oversize Fares

The testimony at the Commission hearing suggested that the WAC language required oversize peak season fares to be calculated by first multiplying the base-season vehicle-and-driver fare by any necessary oversize factor, then increasing the resulting fare by 25%, as follows (using the Mukilteo-Clinton 30'-40' fare category as an example):

Base Season Vehicle-and-Driver < 20' long		Base Season Vehicle-and-Driver 30'-40' long		Peak Season Vehicle-and-Driver 30'-40' long
\$6.65	x 4	\$26.60	x 125%	\$33.25

Since its inception, the Tariff Policy Committee has striven for fare equity over a number of axes, one of which is size. The equity principle pursued by the TPC has been that vehicles should pay according to their deck space used. Therefore, oversize calculations have taken precedence over peak surcharge calculations, meaning WSF calculates peak season oversize fares based on peak season standard-size fares, and not based on base season oversize fares.

Tariff Policy Analysis – Tariff 2006-07

WSF had applied the 25% peak-season surcharge to the base-season vehicle-and-driver fare, and then multiplied that fare by the necessary oversize factor as follows:

Base Season Vehicle-and-Driver < 20' long	Peak Season Vehicle-and-Driver < 20' long	Peak Season Vehicle-and-Driver 30'-40' long
\$6.65	$\xrightarrow{\times 125\%}$ \$8.35	$\xrightarrow{\times 4}$ \$33.40

This method results in peak season fares slightly greater than 25% higher (35% in the San Juans) than the base season fare, shown in the table below:

	% Above Base Season Oversize Fares
Vashon Routes	25.00%
Mukilteo - Clinton	25.56%
Central Sound	25.33%
Key-Pt. Town, Faunt-South	25.29%
Anacortes - Lopez	35.14%
Anacortes - Shaw, Orcas	35.10%
Anacortes - Friday Harbor	35.16%
Interisland	25.24%
Anacortes - Sidney	25.06%
San Juan Islands - Sidney	115.26%

The San Juan Islands to Sidney summer fare is a much higher multiple over the base fare than other routes and relates to a succession of separate policy actions targeting both the International fares and the impacts of Tariff Route Equity implementation.

The method for calculating fares for the San Juan Islands to Sidney route has changed several times in the past ten years. There were two significant policy changes which have led to the much higher summer fares on this route:

1. In 1998, in an effort to improve the off-season utilization of the International Routes, the TPC recommended and the Transportation Commission adopted reducing the base season fares and increased the peak season fares. This was a targeted policy intended to promote tourism, while being revenue neutral to the system. The effect was to have a much higher summer surcharge on these routes (65% for Anacortes-Sidney and 134% for San Juan Islands to Sidney) than the rest of the system.
2. The other significant change occurred in 2001, when the TPC introduced the Tariff Route Equity policy to the fare structure and chose to explicitly exempt the International fares from this policy and treat these separately. From this point forward, the peak season fares have been set based on a market screen approach which set the fare for this tourism-based route within the context of its competitive situation.

Since 2001, there have been a number of fare changes that cumulatively have brought the Anacortes-Sidney peak fares back in alignment with the 25% surcharge and have reduced the San Juan Islands to Sidney peak fares to 115% of the base season fares.

Executive Director Discretion Related to Coordination With Public Transit Partners on EFS and SmartCard Implementation

Background

WSF is going through a period of time where additional management discretion over elements of the tariff may be warranted. WSF's fare policies are codified in the Washington Administrative Code (WAC) and any changes in policy or posted fares, however minor, must be made through the code-reviser process which takes a minimum of several months.

WSF has been implementing its new Electronic Fare System (EFS) and working with its regional partners on the design and implementation of the Regional SmartCard system (spring 2008). During this phase of implementation, several program challenges have emerged related to coordination with public transit partners. Some of these challenges are related to strict limitations in WSF's fare policies, which restrict potential solutions to these technical fare collection issues.

To avoid slowing the implementation of these complex regional fare systems (which could have cost implications for WSF), WSF is seeking discretion in the WAC that would give management enough flexibility to make temporary changes in fare policies related to public transit agency coordination to support the timely implementation of these regional programs.

Examples of Program Challenges

To date, the following are examples of issues that have arisen where additional WAC flexibility would permit WSF to more creatively work toward implementation solutions:

Fauntleroy Bus Fare Collection. Under EFS, WSF faces a challenge in collecting fares for riders traveling through Fauntleroy to Vashon Island on a King County Metro bus. WSF has been working with Metro staff to resolve these issues, which largely involve operational challenges of collecting the ferry fare from riders.

Monthly Passes. Currently, WSF monthly passes for passengers have a limit on the number of rides. This limitation was introduced to address the potential fare evasion that could result from photocopying the EFS bar-coded pass product. Passenger passes on all other public transit agencies who will accept SmartCard allow an unlimited number of trips. Since SmartCard does not have the same risk associated with duplication, there may be advantages in streamlining the SmartCard version of the passenger pass to match the policies of WSF's partner agencies.

Staff Proposal

To ensure timely resolution of implementation issues related to EFS and SmartCard, WSF management requests additional discretion to temporarily resolve these fare related issues at an operational level, after which WSF would bring the issues back to the TPC and Washington State Transportation Commission for policy guidance. The following addition to the WAC is proposed:

"FARE COLLECTION SYSTEM IMPLEMENTATION - In order streamline and expedite the implementation of regional fare collection systems, such as EFS and SmartCard, WSF may temporarily offer discounts, special fares or otherwise modify certain fare policies."

WASHINGTON STATE FERRIES TARIFF REVIEW 06-07
TARIFF POLICY COMMITTEE MEETING #1 SUMMARY
DECEMBER 14, 2006

Members in Attendance	Affiliation
Alice Tawresey	Committee Chair
Brian Brooke	Sound Transit
Martha Burke	Bainbridge Island FAC
Robert S. Distler	Washington State Transportation Commission
Dick Hayes	Kitsap Transit
Dean Katz	Vashon FAC
Ian Munce	Skagit County FAC
Kirk Robinson	Washington State Bicycle Advisory Committee
Ed Sutton	Specialty Ice Cream Company
Dennis Cziske	Kingston FAC
 <u>Staff and Guests</u>	
Mike Anderson	Washington State Ferries
Amy Arnis	WSDOT Financial Planning
Janice Baumgardt	Legislative Staff
Teresa Berntsen	Legislative Staff
Traci Brewer-Rogstad	Washington State Ferries
Ray Deardorf	Washington State Ferries
Bill Greene	Washington State Ferries
Reema Griffith	Administrator
Susan Harris	Washington State Ferries
Michael Hodgins	Berk & Associates, TPC Consultant
Alex MacLeod	San Juan Islands FAC
Paul Zitarelli	Berk & Associates, TPC Consultant

Alice Tawresey opened the meeting at 11:10 AM and briefly reviewed the agenda.

JTC Study Update

Ray Deardorf introduced the draft of the JTC Study of WSF Financing, and the following topics were discussed at some length:

- Peak period pricing
- The use of the TPC by the WSTC
- The appropriateness of legislative representation on the TPC
- Reservation systems on some routes
- Farebox recovery goals at a route- or travel shed-level

- Capital expenditures driven by projected future vehicle demand
- The relationship between WSF's Operating and Capital Budgets
- Whether the legislature should give more guidance related to Tariff-setting
- Revisiting Tariff Route Equity in light of Transportation Demand Management
- The value and importance of transparency in the Tariff-setting process

There was further discussion around whether WSF and the Office of Financial Management have different definitions of capital in some cases.

Tariff Schedule

Ray Deardorf went over the schedule for this Tariff Review cycle, which will be shorter than normal (due to waiting to begin the cycle until the release of the JTC report). The Washington State Transportation Commission (WSTC) will meet January 16-17, at which time, the draft proposal for a May 2007 fare increase would be presented. There will be at least one more TPC meeting in early January, and there is the potential for another TPC meeting after that, although the more likely scenario is that the early January meeting will be an especially long one to develop the draft fare proposal.

The WSTC public hearing date is likely to be March 22, 2007, at 10 AM in Seattle. This would be after the public outreach process and an early March TPC meeting to discuss public comments and possibly revise its proposal before the public hearing.

Tariff Issues

Ray Deardorf went over the potential issues for the TPC to address during this Tariff cycle. Those issues include:

- Revenue Need and General Fare Increase
- In-Need Organizations Discount Program Sunset Clause
- Anacortes-Sidney Oversize RV and Bus Promotional Fares
- Peak-Season Oversize Vehicle Fares

Alice Tawresey then noted that the TPC could also begin to talk about other, larger issues (such as peak pricing or SmartCard), anticipating that the TPC will continue to meet after January to discuss these issues further, and that these discussions could lead to Tariff changes in October 2007 or May 2008.

Tariff Route Equity Update

Ray Deardorf noted that Tariff Route Equity adjustments are nearly complete. The only adjustments that remain to be made are to the San Juans Interisland fares, and those adjustments should be completed by 2009 (assuming 2.5% per year general fare increases).

Revenue, Ridership, & Budget Update

Ray Deardorf introduced this topic, and Bill Greene contributed as well. It was noted that both ridership and revenue are greater in FY2007 to date than over the same time period in FY2006.

Bill Greene noted that the supplemental budget for the 2005-07 biennium included \$81 M for fuel and \$8.5 M for labor relations settlements. The 2007-09 biennium includes \$85 M for fuel and \$17.5 M for labor relations settlements. It was noted that the WSF management team has done an excellent job negotiating labor settlements.

One TPC member asked if a 2.5% fare increase would balance the WSF budget, and Amy Arnis responded that it would not. It was then noted that if the Governor's Budget has an assumption of a 2.5% increase, the TPC is not bound to that figure, especially if it does not solve the budget gap.

It was also noted that another possible solution for balancing the operating budget would be to move funds out of the capital budget. The total 2007-09 biennial budget request for operations is around \$400 M, and the capital request is around \$425 M.

General Fare Increase

There was some discussion of whether the intended fare increases of the past few years have been 5% or 6%. It was noted that 5% with next-quarter rounding is effectively similar to 6% with next-nickel rounding.

After some discussion, the TPC requested that WSF bring ridership and revenue projections to the next TPC meeting under the following scenarios:

- 2.5% fare increase
- 5.0% fare increase
- 6.0% fare increase
- Fare increase large enough to reach 80% farebox recovery in three years
- Fare increase large enough to reach 80% farebox recovery in one year

Brief discussion of operating reserve also came up during this portion of the meeting. It was noted that the reserve currently hovers around \$5 M, and there were some TPC members who felt that figure should be closer to \$30 M.

Alice Tawresey then asked everyone to give their general opinions on what the general fare increase should look like, and whether there were any other topics that should be raised during this Tariff cycle or addressed in TPC meetings after January.

Responses included the following:

- We must do no further harm to the system. We cannot consider a fare increase less than the increase in costs.
- Keep the fare increase as simple as possible; if the governor's budget assumes 2.5%, we should do a 2.5% increase.
- We need to start looking at the big picture related to WSDOT, which is having difficulties due to 25% construction cost increases.
- We should continue to examine the TRE formula and its appropriateness, and show the impacts to fares since 2001. After January, we should examine peak demand pricing.
- We should raise fares by more than 2.5% if it would help protect the capital program.
- After January, we should look at peak pricing and the appropriate level of operating reserve.
- The JTC report validates policies the TPC has attempted to implement in the past (such as frequent-user pricing revisions) and gives us a chance to revisit those issues.

EFS

Susan Harris gave a brief update on EFS implementation, noting that the system has been mostly well-received. WSF was able to work out the kinks in the system during its early implementation in Keystone, and that patience is paying dividends now.

Next TPC Meeting

The next TPC meeting is scheduled for Tuesday, January 9, from 11 AM to 2 PM, with the location to be determined.

Alice Tawresey adjourned the meeting at approximately 1:05 PM.